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GIANT MASCOT MINES LIMITED

EIGHTEENTH ANNUAL REPORT

1968





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EIGHTEENTH ANNUAL REPORT

GIANT MASCOT MINES LIMITED

(Incorporated under the Laws of the Province of British Columbia)

Listed on the Vancouver and Toronto Stock Exchanges.

DIRECTORS J. AUSTIN, B.A., LL.M., Vancouver
 M. E. DAVIS, C.A., Vancouver
 J. L. GIBSON, Vancouver
 W. C. GIBSON, Vancouver
 H. A. McDIARMID, Vancouver
 L. P. STARCK, Vancouver

OFFICERS W. C. GIBSON, President
 L. P. STARCK, P.ENG., Vice-President and General Manager
 A. H. AINSWORTH, Secretary
 S. CLARKE, F.C.I.S., Treasurer

GENERAL MANAGER L. P. STARCK, P.ENG., Vancouver

RESIDENT MANAGER FRANK HOLLAND, Hope

REGISTERED OFFICE 625 - 925 West Georgia Street, Vancouver

ADMINISTRATIVE OFFICE 1825 Marine Building, Vancouver

REGISTRAR AND TRANSFER AGENTS Canada Permanent Trust Company, Vancouver and Toronto

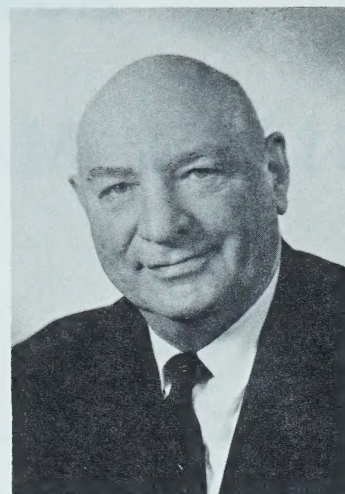
GENERAL COUNSEL Ainsworth, Henson, Norby, Purvis & Kendall, Vancouver

AUDITORS Thorne, Gunn, Helliwell & Christenson, Vancouver

ANNUAL GENERAL MEETING JANUARY 30, 1969, 3:00 P.M., HOTEL VANCOUVER, VANCOUVER, B.C.

GIANT MASCOT MINES LIMITED

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS:



The Directors are pleased to submit herewith the 18th Annual Report of the Company's operation.

During the past year, our new ore discoveries have more than taken care of our extraction and the grade has been improved to a marked degree.

A substantial improvement in operating profit can be forecast with the processing of this higher average-grade ore which is presently being developed for production early in 1969.

We are pleased to welcome a substantial knowledgeable group of shareholders experienced in the fields of mining and finance, who have taken a large share position in our Company and will be able, with their experience, to contribute to our future expansion. We are, therefore, recommending their representation for inclusion in our Board.

Our General Manager's report follows with a comprehensive report on the year's activities of the Company.

The financial statements, together with the notes thereto, and the source and application of funds statement are submitted for your consideration.

The Directors wish to thank the managers and personnel for their efforts that have contributed to a successful year.

On behalf of the Board,

A handwritten signature in dark ink, appearing to read 'W. C. Gibson', written in a cursive style.

Vancouver, B.C.
December 5, 1968

W. C. GIBSON
President

GIANT MASCOT MINES LIMITED

December 2, 1968

President and Directors,
Giant Mascot Mines Limited,
1825 - 355 Burrard Street,
Vancouver 1, B.C.



Gentlemen:

New ore discoveries at the operating Giant Nickel property and expansion of potential ore reserves at the Giant Copper property resulting from an exploration program based on a new geological appreciation of that property made the fiscal year ended September 30, 1968, an encouraging one.

Net Smelter Returns and Income

	Net Smelter Returns		Operating Income (before depreciation)		Net Income	
	Per Year	Per Ton	Per Year	Per Ton	Per Year	Per Ton
1968	\$3,059,228	\$9.04	\$1,233,644	\$3.65	\$546,750	\$1.62
1967	3,453,992	10.36	1,490,432	4.47	815,767	2.44
1966	2,391,891	7.21	719,382	2.17	362,390	1.09

More underground development work by way of new major access entries was undertaken during the year than in the previous year. The benefit of this year's work at a total cost of some \$343,508 will accrue to the Company next year and in succeeding years.

However, as a result of the Company policy of writing off the whole of such expenditures in the year in which they are incurred, the income for 1968 has been reduced substantially.

Production

	1968	1967	1966
Ore treated (tons)	338,340	333,546	331,579
Nickel-copper concentrates produced (tons)	18,227	22,786	17,906
Nickel recovered (pounds)	3,769,519	4,752,936	3,476,303
Copper recovered (pounds)	1,417,703	1,998,577	1,838,672

Once again in 1968 the throughput of the concentrator was increased over that of preceding years.

Operating Costs

	1968	1967	1966
Mining	\$2.74	\$3.00	\$2.52
Concentrating	1.24	1.29	1.26
Administration	0.57	0.51	0.42
Development and exploration	1.01	1.12	0.87
Total operating costs per ton	\$5.56	\$5.92	\$5.07

A combination of plant modifications and operating efficiencies has reduced operating costs for the year.

Ore Reserves

	1968	1967	1966
Tons	897,241	859,834	830,515
% Nickel	0.96	0.83	0.92
% Copper	0.52	0.33	0.30

The proved and probable ore reserves, including normal dilution and extraction allowances, increased to 897,241 tons grading 0.96% nickel and 0.52% copper. This is an improvement of 27% in total metal content.

The increase in both grade and tonnage of the ore reserves is the result of the discovery of the 4300 zone on 3250 level, and the 4600 zone on 2950 level. By the year end, 383,112 tons, grading 1.24% nickel and 0.66% copper, have been delimited in the 4600 zone between elevations 2958 and 3278. Exploration by diamond drilling, drifting and raising is presently in progress to test the extensions of this zone, as well as those in the 4300, 1400 and 1600 areas, all of which have excellent tonnage possibilities.

Remapping of the surface geology of the claim holdings and a geochemical survey of the favourable host rocks disclosed numerous interesting anomalies and areas of disseminated mineralization which will be tested. This year's limited surface diamond drilling program intersected several zones of 0.15 to 0.25% nickel, which will be explored further next season.

Mining

	1968	1967	1966
Raising (feet)	3,676	3,303	4,771
Drifting (feet)	3,422	1,448	3,442
Longholing (feet)	167,283	265,905	173,499
Diamond drilling (feet)	48,965	56,077	41,220

The Brunswick 2G, Brunswick 8, Brunswick 2A and 2200B zones were brought into production during the year and the 4600 zone is being prepared for production.

The 2950 crosscut was extended 1800 feet to the 4600 zone and to the 1400 and 1600 areas. Crosscuts, each 500 feet in length, were driven to the 4300 zone on the 3250 and 3550 levels.

To serve the steadily expanding system of underground workings, a 150,000 c.f.m. fan has been installed and a network of ventilation raises and drifts is being completed.

Production for the year was mainly from the 1500, 2200, Brunswick 2A and Pride of Emory zones.

Concentrator

	1968	1967	1966
Ore treated (tons)	338,340	333,546	331,579
Grade of ore treated — % nickel	0.675	0.855	0.660
Grade of ore treated — % copper	0.23	0.31	0.33
Nickel recovery — %	82.7	83.3	79.4
Copper recovery — %	90.2	93.6	92.4

A total of 338,340 tons has been processed in 1968 at an average rate of 1343 tons per operating day.

The capacity of the rougher flotation circuit is currently being expanded by 10% and the cleaner capacity by 30%.

Capital Expenditures

In total, a sum of \$140,183 was spent on plant and equipment, made up of \$33,511 for concentrator equipment, \$65,181 for mine equipment, \$21,139 for vehicles, \$11,607 for electrical apparatus and the balance for miscellaneous items.

General

A two-year labour agreement, effective July 1, 1968, was signed with the United Steelworkers of America, with an average increase of 29 cents for the first year and 18 cents for the second year.

There were 172 employees on the payroll at the year end. The number of hirings and separations during the year were 261 and 244, respectively.

During the year, Giant Soo Mines Limited (N.P.L.), which has been inactive since October 6, 1967, became a wholly-owned subsidiary of the Company. Therefore, although the consolidated financial statements include the operating results of Giant Soo Mines Limited (N.P.L.), the foregoing comparisons of operations relate only to the operating nickel mine at Hope, B.C.

Outside Exploration

Underground and surface geological, geochemical and geophysical surveys and diamond drilling were carried out by the Company's wholly-owned subsidiary, G.M. Explorations Limited (N.P.L.), at the Nickel Plate property, Hedley, B.C. Work will be continued next year to test the copper-gold potential of this property.

Giant Copper Project

The 1968 program at the Giant Copper project, Allison Pass, B.C., was completed in late September. The results of intensive exploration work on 10 level indicate, in the area tested, 3450 tons per vertical foot grading 0.97% copper, surrounded by 2600 tons per vertical foot grading 0.39% copper which in the aggregate totals 6050 tons per vertical foot grading 0.72% copper. This tonnage, which also carries appreciable values of gold and silver with some molybdenum, if proven over a vertical range of 2000 feet, would give tonnages in the order of 12,000,000 tons.

The program this year consisted of raising, drifting, diamond drilling, channel sampling and percussion test holing the 10 level workings, remapping underground geology, relogging available diamond drill core from previous operations and providing access and ventilation between 6 and 10 levels. On surface, detailed geological, geochemical and geophysical surveys were made of the main A.M. breccia zone and a cursory geological study was made of the other breccia zones on the property.

The information derived is being correlated and plans for future exploration and development are being formulated.

Current Information

In November, 1968, a subsidence plug cave developed in the mined-out Brunswick 2 stope, which disturbed the ground near the head of the internal shaft. Until ground conditions have stabilized, the use of the shaft has been restricted. As a result, operations in the upper levels of the mine have been curtailed and production reduced by one-third. During this period of reduced production, the underground development in other areas has been accelerated, the main haulage track is being reballasted and the capacity of the flotation circuit is being expanded. It is anticipated that normal production will be resumed by February, 1969.

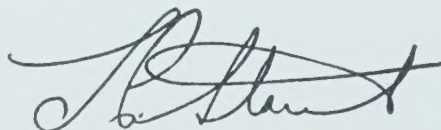
Summary

During 1968, the Giant Nickel mine has again demonstrated, as it has in the past, the continuing capacity for sustained production and future potential which can be won by consistent exploration and development of it.

Acknowledgement

Sincere appreciation is accorded to the men who contributed to the excellent performance during the year, namely the managers, superintendents and permanent employees and also, to the President and Directors for their support.

Yours truly,



L. P. STARCK, P.Eng.,
Vice-President and General Manager

GIANT MASCOT

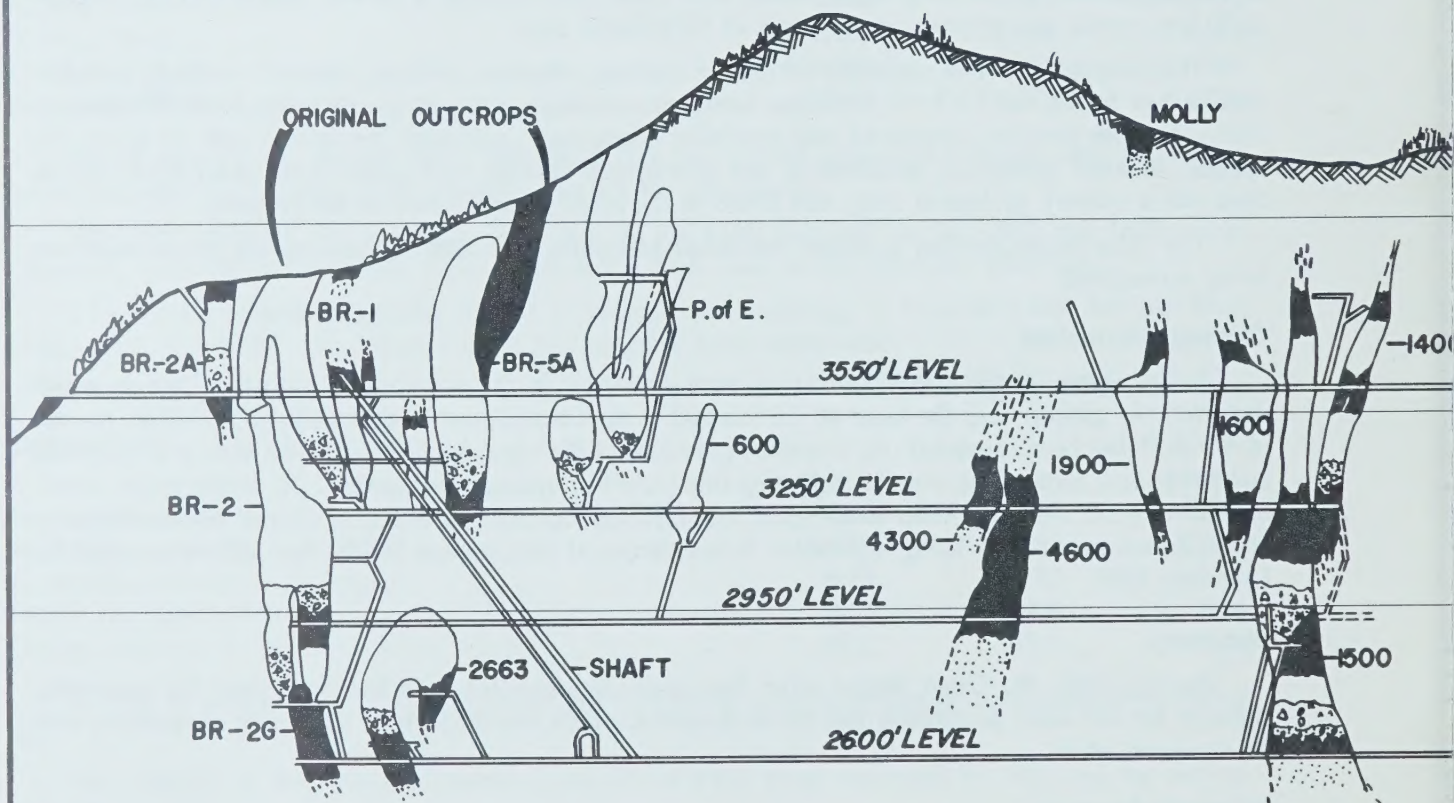
LONGITUDINAL PROJECTION

HOP

SCALE

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BR — Brunswick

P. of E. — Pride

MINES LIMITED.

OF GIANT NICKEL MINE

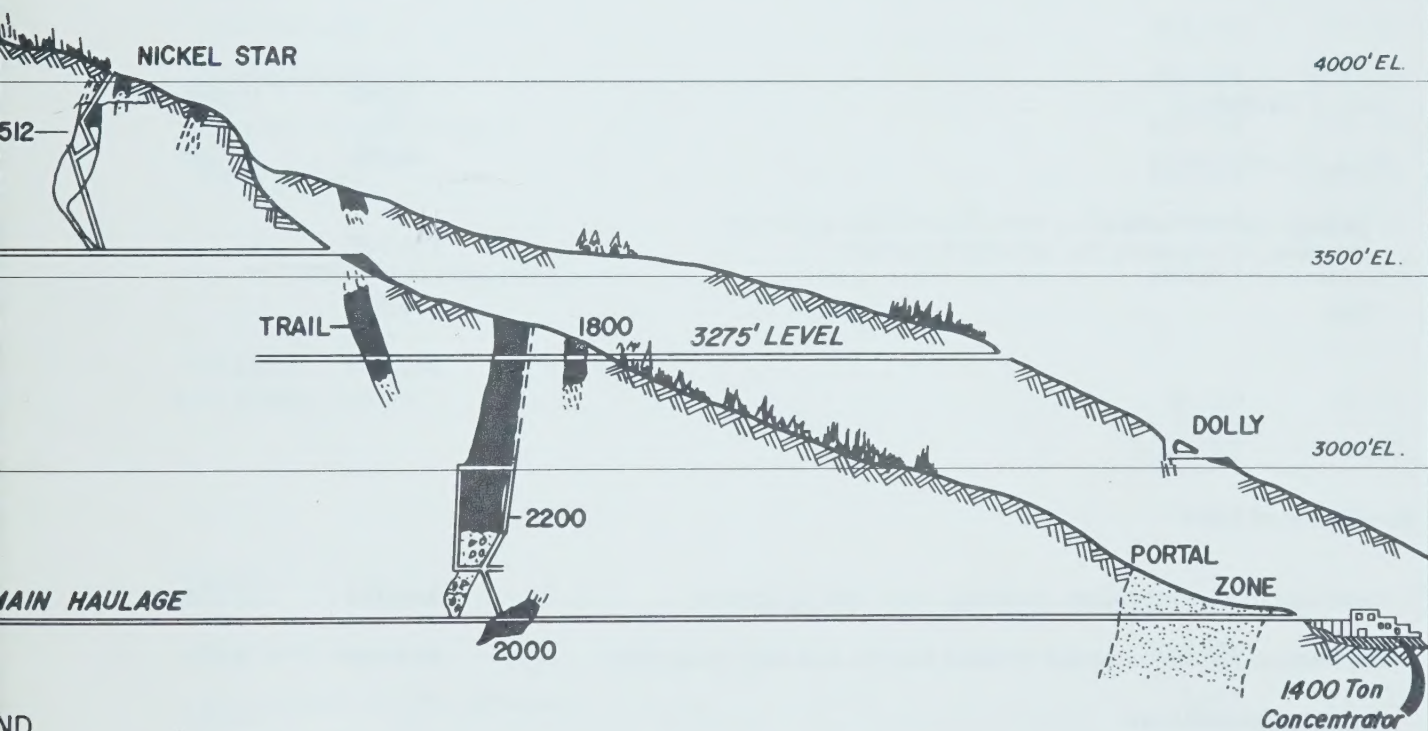
B.C.

500 ft

1000

1500 FEET

EAST →



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Reserves

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PROPERTY LOCATED 124 MILES EAST OF VANCOUVER.

ALTAIR drafting - December 1968

GIANT MASCOT MINES LIMITED

and subsidiary companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended September 30, 1968

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
Source of funds		
Operations		
Net income for the year	\$ 531,955	\$ 815,767
Add depreciation and adjustments not involving a current outlay of funds	<u>196,824</u>	<u>184,548</u>
	728,779	1,000,315
Sale of equipment	4,581	12,865
Issue of capital stock	30,400	19,200
Working capital of subsidiary consolidated during the year, less cost of acquiring the minority's interest	114,747	—
Other	<u>6,527</u>	<u>—</u>
	<u>885,034</u>	<u>1,032,380</u>
Application of funds		
Additions to mineral claims, buildings, plant and equipment	140,183	305,238
Exploration and development at Giant Copper and other properties	317,325	175,770
Special refundable tax	—	19,643
	<u>457,508</u>	<u>500,651</u>
Increase in working capital	427,526	531,729
Working capital at beginning of year	796,282	264,553
Working capital at end of year	<u>\$1,223,808</u>	<u>\$ 796,282</u>

GIANT MASCOT MINES LIMITED

and subsidiary companies

CONSOLIDATED STATEMENT OF INCOME

Year ended September 30, 1968

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
Mineral production		
Value of concentrates produced, net of transportation and handling charges	<u>\$3,076,926</u>	<u>\$3,453,992</u>
Cost of production and administration		
Mining	936,648	1,001,062
Concentrating	428,352	430,592
Mining development	341,477	372,756
General and administrative	210,728	169,173
Depreciation	196,824	180,813
	<u>2,114,029</u>	<u>2,154,396</u>
Mine operating income	962,897	1,299,596
Add interest income	59,128	10,023
	<u>1,022,025</u>	<u>1,309,619</u>
Deduct		
New level access	343,508	90,366
Investigation of other properties	2,854	23,540
	<u>346,362</u>	<u>113,906</u>
Income, before income and mining taxes	675,663	1,195,713
Income and mining taxes	124,722	348,389
Income for the year, before adjustment of prior years	550,941	847,324
Adjustment to prior years' income and mining taxes	18,986	31,557
Net income for the year	<u>\$ 531,955</u>	<u>\$ 815,767</u>

GIANT MASCOT

and subsidiary

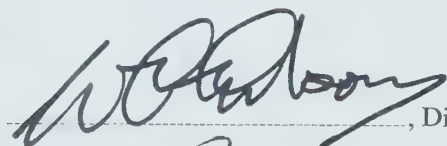
(Incorporated under the laws of the State of Nevada)

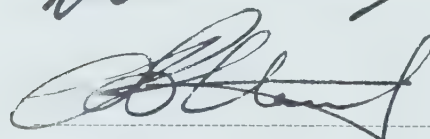
CONSOLIDATED BALANCE SHEET

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 240,945	\$ 132,151
Short-term deposits	904,117	650,000
Accounts receivable		
Affiliated company	13,372	10,919
Other	34,741	12,554
Concentrate settlements receivable	58,547	388,929
Concentrates on hand, at estimated realizable value	156,606	124,248
Income and mining taxes refundable	34,878	—
Supplies on hand, at cost	96,147	93,489
Prepaid expenses	45,310	31,138
	<u>1,584,663</u>	<u>1,443,428</u>
SPECIAL REFUNDABLE TAX, net of current portion	25,678	27,920
INVESTMENT IN SUBSIDIARY COMPANY (Note 1)	—	490,284
INVESTMENT IN GIANT EXPLORATIONS LIMITED (N.P.L.), at cost (Note 3)	10,775	10,775
MINING PROPERTIES AND DEVELOPMENT (Note 4)	3,364,369	2,732,104
	<u>\$4,985,485</u>	<u>\$4,704,511</u>

Approved on behalf of the Board


 _____, Director


 _____, Director

MINES LIMITED

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HEET AT SEPTEMBER 30, 1968

September 30, 1967)

LIABILITIES

	<u>1968</u>	<u>1967</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 360,855	\$ 311,070
Income and mining taxes payable	—	331,166
	<u>360,855</u>	<u>642,236</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 5)

Authorized

7,500,000 shares of no par value

Issued

4,677,728 (1967 - 4,639,728) shares of no par value

	<u>4,256,728</u>	<u>4,226,328</u>
CAPITAL DEFICIT	2,040,819	2,040,819
	<u>2,215,909</u>	<u>2,185,509</u>

RETAINED EARNINGS

Balance at beginning of year

Net income for the year

<u>1,876,766</u>	<u>1,060,999</u>
<u>531,955</u>	<u>815,767</u>
<u>2,408,721</u>	<u>1,876,766</u>
<u>4,624,630</u>	<u>4,062,275</u>
<u>\$4,985,485</u>	<u>\$4,704,511</u>

AUDITORS' REPORT

To the Shareholders of Giant Mascot Mines Limited:

We have examined the consolidated balance sheet of Giant Mascot Mines Limited and its subsidiary companies at September 30, 1968 and the consolidated statements of income and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies at September 30, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
November 25, 1968.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

GIANT MASCOT MINES LIMITED

and subsidiary companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended September 30, 1968

1. Basis of Consolidation

At September 30, 1968 all the subsidiary companies, as follows, are wholly-owned and included in the consolidated financial statements:

G.M. Explorations Limited (N.P.L.)
Mascot Copper Mines Limited (N.P.L.)
Giant Soo Mines Limited (N.P.L.)

Giant Soo Mines Limited (N.P.L.) became a wholly-owned subsidiary during the year; at September 30, 1967 it was partly-owned and was not consolidated.

2. Accounting Policies

The accompanying accounts do not reflect any write-offs for depreciation of plant and equipment, or exploration and development expenses relating to the Giant Copper property or the Hedley property, as the properties are not in production. However, for income tax purposes, maximum amounts of capital cost allowances and exploration expenses were utilized. As a result of this policy, income tax expense for 1968 has been reduced by approximately \$158,000 (1967 - \$104,000) and accumulated reductions to September 30, 1968 are approximately \$464,000. It is considered unnecessary to provide for deferred income taxes resulting from this practice as other amounts not carried in the accounts are available to reduce taxable income when the Giant Copper property comes into production.

Depreciation on the assets at the operating nickel mine at Hope has been recorded at the maximum rates allowable for income tax purposes.

No depreciation has been recorded on the Giant Soo mine assets due to the cessation of operations. Development costs of major access routes (new level access) in the operating nickel mine at Hope are written off as such amounts are expended although such development may benefit more than one fiscal period.

3. Investment in Giant Explorations Limited (N.P.L.)

The 500,255 shares held represent approximately twenty-five per cent of that company's issued shares.

4. Mining Properties and Development (i)

Operating nickel mine at Hope

	1968	1967
Mineral claims and rights, at cost	\$ 268,057	\$ 269,120
Buildings, plant and equipment, at cost less proceeds of assets sold	1,847,328	1,613,445
Less accumulated depreciation	(1,168,992)	(972,168)
	<u>946,393</u>	<u>910,397</u>

Giant Copper property under development

Mineral claims, plant and equipment, at cost including the value ascribed by the directors (\$1,084,997) to 1,084,997 shares of capital stock issued therefor	1,347,808	1,345,226
Exploration and development expenses, at cost	690,894	454,488
	<u>2,038,702</u>	<u>1,799,714</u>

Giant Soo property (ii)

Mineral claims, at cost	20,000	—
Buildings, plant and equipment, at cost	321,347	—
Less accumulated depreciation	(64,984)	—
	<u>276,363</u>	<u>—</u>

Hedley property

Option rights, at cost	2,513	1,184
Exploration and development expenses, at cost	100,398	20,809
	<u>102,911</u>	<u>21,993</u>
	<u>\$3,364,369</u>	<u>\$2,732,104</u>

(i) The amounts shown for mineral claims and rights and exploration and development expenses represent accumulated costs and are not intended to reflect present or future values.

(ii) The property ceased production on October 6, 1967 and consequently the accumulated provision for depreciation of the buildings, plant and equipment may not be adequate.

The mineral claims are subject to a 2½ % royalty payable on net smelter returns.

5. Capital Stock

During the year the company was converted from a specially limited into a limited company, having first converted its capital stock (both issued and unissued) from shares of a par value of \$1 each into shares without nominal or par value; at the same time the number of such shares which the company is authorized to issue was increased to 7,500,000 shares of no par value, and new Articles of Association were adopted.

Consequent upon the conversion of the shares of the company from par value into no par value, the amount of the discount, at which the par value shares so converted had previously been issued, has been eliminated. For comparative purposes the relative 1967 figures have been restated accordingly.

16,000 shares have been reserved for issue under options to certain employees until March 31, 1969 at \$1.07 per share.

During the year the company issued 38,000 shares for cash at \$.80 per share under the option plan.

6. Remuneration of Directors and Senior Officers

The total direct aggregate remuneration paid by the company to its directors and senior officers (including not only officers as such but also, by definition, certain management personnel) was \$92,700 (1967 - \$79,200).

